

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Tyrone Township	County Livingston
Audit Date 3/31/06	Opinion Date 6/13/06	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) Plante & Moran, PLLC			
Street Address 111 East Court Street, Suite 1A		City Flint	State MI
Accountant Signature 		ZIP 48502	Date 8-29-06

Financial Report
Tyrone Township
Livingston County, Michigan
March 31, 2006

**Tyrone Township
Annual Financial Report
For the Fiscal Year Ended March 31, 2006**

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Annual Financial Report
For the Fiscal Year Ended March 31, 2006**

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Introductory Section

**Annual Financial Report
Tyrone Township
Livingston County, Michigan
March 31, 2006**

List of Elected Officials

Supervisor	Andrew Schmidt
Clerk	David Kuzner
Treasurer	David Kurtz
Trustee	Steven Nagy
Trustee	Lynn Thompson
Trustee	Robert Byerly
Trustee	Vacant

Financial Section

Independent Auditors' Report

The Honorable Members
of the Township Board of
Tyrone Township
Livingston County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tyrone Township, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Tyrone Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tyrone Township, Michigan at March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tyrone Township's basic financial statements. The accompanying other supplemental information and introductory section, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on it.

PLANTE & MORAN, PLLC

June 13, 2006

Management's Discussion and Analysis

Tyrone Township Management's Discussion and Analysis

This section of Tyrone Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year that ended on March 31, 2006. Please read it in conjunction with the Township's financial statements, which follow this section.

Financial Highlights

- The Township's Total Net Assets are \$14,699,663.
- During the year, the Township's total net assets decreased \$166,354. Governmental activities incurred a \$48,289 decrease in net assets. Business activities realized an \$118,065 decrease in net assets.
- General fund revenues exceeded expenditures by \$39,835, leaving a fund balance of \$497,818.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Table 1 (below) summarizes the major features of the Township's financial statements, including the portion of the Township government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Table 1 – Summary Condensed Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenue						
Program revenue:						
Charges for services	\$ 359,178	\$ 84,540	\$ 193,281	\$ 171,660	\$ 552,459	\$ 256,200
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	-	-	571,838	577,428	571,838	577,428
General revenue:						
Property taxes	495,858	473,668	-	-	495,858	473,668
State-shared revenue	580,651	568,311	-	-	580,651	568,311
Franchise fees	63,941	55,224	-	-	63,941	55,224
Interest	32,884	17,696	97,678	9,546	130,562	27,242
Gain on sale of capital asset	40,853	-	-	-	40,853	-
Transfers	25,557(909,693)	(25,557)	909,693	-	-	-
Total revenue	1,598,922	289,746	837,240	1,668,327	2,436,162	1,958,073

	Governmental Activities		Business-type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Program expenses						
General government	584,258	687,839	-	-	584,258	687,839
Public safety	720,126	588,189	-	-	720,126	588,189
Public works	38,511	43,332	-	-	38,511	43,332
Highways and street	297,616	139,837	-	-	297,616	139,837
Health and welfare	6,700	6,700	-	-	6,700	6,700
Sewer	-	-	955,305	682,677	955,305	682,677
Total program Expenses	<u>1,647,211</u>	<u>1,465,897</u>	<u>955,305</u>	<u>682,677</u>	<u>2,602,516</u>	<u>2,148,574</u>
Change in net assets	(48,289)	(1,176,151)	(118,065)	985,650	(166,354)	(190,501)
Net assets - beginning of year	<u>1,428,911</u>	<u>2,605,062</u>	<u>13,437,106</u>	<u>12,451,456</u>	<u>14,866,017</u>	<u>15,056,518</u>
Net assets - end of year	<u>\$1,380,622</u>	<u>\$ 1,428,911</u>	<u>\$13,319,041</u>	<u>\$13,437,106</u>	<u>\$14,699,663</u>	<u>\$14,866,017</u>

Table 2 - Tyrone Township's Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$1,800,526	\$1,270,121	\$12,310,016	\$11,524,064	\$14,110,542	\$12,794,185
Capital assets	<u>214,954</u>	<u>371,890</u>	<u>16,846,787</u>	<u>9,355,754</u>	<u>17,061,741</u>	<u>9,727,644</u>
Total assets	<u>2,015,480</u>	<u>1,642,011</u>	<u>29,156,803</u>	<u>20,879,818</u>	<u>31,172,283</u>	<u>22,521,829</u>
Long-term liabilities outstanding	451,276	194,552	15,765,000	7,425,000	16,216,276	7,619,552
Other liabilities	<u>183,582</u>	<u>18,548</u>	<u>72,762</u>	<u>17,712</u>	<u>256,344</u>	<u>36,260</u>
Total liabilities	<u>634,858</u>	<u>213,100</u>	<u>15,837,762</u>	<u>7,442,712</u>	<u>16,472,620</u>	<u>7,655,812</u>
Net assets:						
Invested in capital assets, net of related debt	214,954	177,338	1,919,178	1,930,754	2,134,132	2,108,092
Restricted	872,597	793,590	2,509,158	1,165,040	3,381,755	1,958,630
Unrestricted	<u>293,071</u>	<u>457,983</u>	<u>8,890,705</u>	<u>10,341,312</u>	<u>9,183,776</u>	<u>10,799,295</u>
Total net assets	<u>\$1,380,622</u>	<u>\$1,428,911</u>	<u>\$13,319,041</u>	<u>\$13,437,106</u>	<u>\$14,699,663</u>	<u>\$14,866,017</u>

The governmental net assets decreased 3.4 percent from a year ago – decreasing from \$1,428,911 to \$1,380,622. In contrast, last year's net assets decreased by 45 percent. The decrease was a result of transfers of \$909,693 to establish the Sewer Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations – decreased by \$164,912 for the governmental activities. This represents a decrease of approximately 36.0 percent. The current level of unrestricted net assets for our governmental activities stands at \$293,071 or about 18 percent of expenditures.

The Township's total governmental revenues increased by \$761,682, despite decreases in State shared revenue. The increase, which represents 26.2 percent, primarily due to tax revenue recognized for paving special assessments of \$280,000 in the current year. In 2005, a transfer of \$909,000 was made from the General Fund to establish the Sewer Fund.

Expenses increased by \$181,314 during the year. The increase is a result of increased fire authority expenses (public safety) and paving projects (highways and streets).

The Township's business-type activities consist of the Sewer Fund.

The net assets of business-type activities decreased .8 percent from a year ago – decreasing from \$13,437,106 to \$13,319,041.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations – decreased by \$1,450,607. This represents a decrease of approximately 14 percent. The current level of unrestricted net assets for the business type activities stands at \$8,890,705.

Budgetary Highlights

The General Fund expenditure budget was amended during the year. The major change was a \$42,785 reduction in the general government category mainly for anticipated legal fees to be incurred.

The amended budget anticipated an overall decrease in fund balance of \$(37,099). Actual results were an increase in fund balance of \$39,835 mainly due to the unbudgeted sale of property and transfers-in of \$214,382.

Capital Asset and Debt Administration

At the end of 2006, the Township had \$17,061,741 invested in a broad range of capital assets, including buildings, equipment, and sewer lines. During 2006, sewer lines under construction of \$7,811,676 were capitalized with related debt of \$8,640,000.

Economic Factors and Next Year's Budgets and Rates

The downward trend of Michigan's economy continues to require the state to reduce state shared revenue allocations to local governments. This causes local governments to look to other local revenue sources to finance operations. A positive situation for the Township is the growth in the tax base as the Township has become a desired area where new residential housing is occurring.

Contacting the Township's Financial Administration

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township, 10408 Center Road, Fenton, Michigan 48430-9439.

Basic Financial Statements

Government-wide Financial Statements

Tyrone Township
Statement of Net Assets
March 31, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and equivalents	\$ 1,207,461	\$ 166,443	\$ 1,373,904
Receivables	420,858	9,082,503	9,503,361
Prepays	1,564	-	1,564
Internal balances	49,598	(49,598)	-
Cash and equivalents-restricted	121,045	1,671,767	1,792,812
Cash held with agent- restricted	-	837,391	837,391
Capital assets - not depreciated	7,500	7,811,676	7,819,176
Capital assets (net of accumulated depreciation)	207,454	9,035,111	9,242,565
Total assets	2,015,480	28,555,293	30,570,773
Liabilities			
Accounts payable	62,537	-	62,537
Due to other governments	121,045	33,514	154,559
Deposits	-	39,248	39,248
Noncurrent liabilities:			
Due within one year	150,276	705,000	855,276
Due in more than one year	301,000	15,060,000	15,361,000
Total liabilities	634,858	15,837,762	16,472,620
Net Assets			
Invested in capital assets, net of related debt	214,954	1,919,178	2,134,132
Restricted for:			
Roads	552,834	-	552,834
Capital projects	315,561	837,391	1,152,952
Debt service	-	1,671,767	1,671,767
Other purposes	4,202	-	4,202
Unrestricted	293,071	8,890,705	9,183,776
Total net assets	\$1,380,622	\$ 13,319,041	\$ 14,699,663

The notes are an integral part of the financial statements.

**Tyrone Township
Statement of Activities
Year Ended March 31, 2006**

Functions\Programs	Program Revenues		
	Expenses	Charges for Services	Capital Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 584,258	\$ 56,614	\$ -
Public safety	720,126	3,678	-
Public works	38,511	21,701	-
Streets	297,616	277,185	-
Health and welfare	6,700	-	-
Total governmental activities	1,647,211	359,178	-
Business-type activities:			
Sewer	955,305	193,281	571,838
Total business-type activities	955,305	193,281	571,838
Total primary government	\$ 2,602,516	\$ 552,459	\$ 571,838
General revenues:			
Property taxes			
State shared revenues			
Franchise fees			
Unrestricted investment earnings			
Transfers			
Gain on sale of capital asset			
Total general revenues and transfers			
Change in net assets			
Net assets - beginning			
Net assets - ending			

The notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets

<u>Primary Government</u>		
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (527,644)	\$ -	\$ (527,644)
(716,448)	-	(716,448)
(16,810)	-	(16,810)
(20,431)	-	(20,431)
(6,700)	-	(6,700)
(1,288,033)	-	(1,288,033)
-	(190,186)	(190,186)
-	(190,186)	(190,186)
(1,288,033)	(190,186)	(1,478,219)
495,858	-	495,858
580,651	-	580,651
63,941	-	63,941
32,884	97,678	130,562
25,557	(25,557)	-
40,853	-	40,853
1,239,744	72,121	1,311,865
(48,289)	(118,065)	(166,354)
1,428,911	13,437,106	14,866,017
<u>\$ 1,380,622</u>	<u>\$ 13,319,041</u>	<u>\$ 14,699,663</u>

Fund Financial Statements

**Tyrone Township
Balance Sheet
Governmental Funds
March 31, 2006**

	General Fund	Jayne Hill 1 & 2 Road Improvement	Jayne Hill 4 Road Improvement	Other Nonmajor Governmental Funds	Total
Assets					
Cash and cash equivalents	\$457,851	\$ 84,646	91,179	\$ 573,785	\$ 1,207,461
Receivable:					
Special assessments	40,588	101,940	90,271	20,575	253,374
Due from other funds	63,162	-	-	175,447	238,609
Due from other governments	96,192	1,127	4,156	53,057	154,532
Prepaid items	1,564	-	-	-	1,564
Cash and cash equivalents - restricted	121,045	-	-	-	121,045
Total assets	\$780,402	\$ 187,713	\$ 185,606	\$ 822,864	\$ 1,976,585
Liabilities					
Accounts payable	61,128	-	-	1,410	62,538
Due to other governmental units	121,045	-	-	-	121,045
Due to other funds	100,000	100	100	75,447	175,647
Deferred revenue	411	101,940	90,271	20,575	213,197
Total liabilities	282,584	102,040	90,371	97,432	572,427
Fund Balances					
Reserved:					
Prepays	1,564	-	-	-	1,564
Unreserved reported in:					
General fund	496,254	-	-	-	496,254
Special revenue funds	-	85,673	95,235	725,432	906,340
Total fund balances	497,818	85,673	95,235	725,432	1,404,158
Total liabilities and and fund balances	\$780,402	\$ 187,713	\$ 185,606	\$ 822,864	\$ 1,976,585

The notes are an integral part of the financial statements.

Tyrone Township
Reconciliation of the Fund Balance as Reported in the
Governmental Balance Sheet to the Statement of Net Assets
Year Ended March 31, 2006

Total Governmental Funds Fund balance as reported in the Balance Sheet	
Governmental Funds	\$ 1,404,158
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	214,954
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	212,786
Bonds payable and notes payable are not due and payable in the current period and are not reported in the funds	<u>(451,276)</u>
Net Assets - Governmental Activities	<u><u>\$ 1,380,622</u></u>

The notes are an integral part of the financial statements.

Tyrone Township
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
Year Ended March 31, 2006

	General	Jayne Hill 1 & 2 Road Improvement	Jayne Hill 4 Road Improvement
Revenues			
Taxes	\$ 380,945	\$ -	\$ -
Special assessments	-	37,433	42,560
Intergovernmental:	-	-	-
State	580,651	-	-
Licenses and permits	75,872	-	-
Fees	114,913	-	-
Charges for services	72,802	-	-
Interest	18,892	1,569	1,461
Other	15,052	-	-
Total revenues	1,259,127	39,002	44,021
Expenditures			
Current:			
General government	592,543	-	-
Public safety	716,748	-	-
Public works	20,407	-	-
Health and welfare - Seniors	6,700	-	-
Highways and streets	-	131,329	124,786
Debt service			
Principal	97,276	-	-
Total expenditures	1,433,674	131,329	124,786
Deficiency of revenues over expenditures	(174,547)	(92,327)	(80,765)
Other financing sources (uses)			
Sale of capital asset	163,204	-	-
Debt issuance	-	178,000	176,000
Transfers in	51,178	-	-
Transfers out	-	-	-
Total other financing sources (uses)	214,382	178,000	176,000
Net change in fund balances	39,835	85,673	95,235
Fund balance - Beginning of year	457,983	-	-
Fund balance - End of year	\$ 497,818	\$ 85,673	\$ 95,235

The notes are an integral part of the financial statements.

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 380,945
43,353	123,346
-	580,651
-	75,872
-	114,913
3,378	76,180
15,943	37,865
-	15,052
62,674	1,404,824
-	592,543
3,378	720,126
18,105	38,512
-	6,700
41,501	297,616
-	97,276
62,984	1,752,773
(310)	(347,949)
-	163,204
-	354,000
-	51,178
(25,621)	(25,621)
(25,621)	542,761
(25,931)	194,812
751,363	1,209,346
\$ 725,432	\$ 1,404,158

Tyrone Township
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended March 31, 2006

Amounts reported for governmental activities in the statement of activities
are different because:

Net Change in fund balances - total governmental funds	\$ 194,812
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Depreciation expense	(34,585)
Net book value of assets disposed of	(122,351)
Revenues are recorded in the statement of activities when earned: they are not recorded in the funds until collected or collectible within 60 days of year end	170,559
Bond proceeds provide financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net assets	(354,000)
Repayment of note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>97,276</u>
Change in net assets of governmental activities	<u><u>\$ (48,289)</u></u>

The notes are an integral part of the financial statements.

Tyrone Township
Statement of Revenues, Expenditures,
and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended March 31, 2006

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Amended Budget
	Original	Amended		
Revenues				
Taxes	\$ 399,394	\$ 399,394	\$ 380,945	\$ (18,449)
Intergovernmental:				
State	499,574	499,574	580,651	81,077
Licenses and permits	78,050	78,050	75,872	(2,178)
Fees	111,394	111,394	114,913	3,519
Charges for services	187,900	187,900	72,802	(115,098)
Interest	3,100	3,100	18,892	15,792
Other	17,700	17,700	15,052	(2,648)
Total revenues	1,297,112	1,297,112	1,259,127	(37,985)
Expenditures				
Current:				
General government	631,440	588,655	592,543	(3,888)
Public safety	621,680	621,680	716,748	(95,068)
Public works	16,400	19,900	20,407	(507)
Health and welfare - Seniors	6,700	6,700	6,700	-
Debt service				
Principal	97,276	97,276	97,276	-
Total expenditures	1,373,496	1,334,211	1,433,674	(99,463)
Deficiency of revenues over expenditures	(76,384)	(37,099)	(174,547)	(137,448)
Other financing sources				
Sale of capital asset	-	-	163,204	163,204
Transfers in	-	-	51,178	51,178
Total other financing sources	-	-	214,382	214,382
Net change in fund balances	(76,384)	(37,099)	39,835	76,934
Fund balance at beginning of year	457,983	457,983	457,983	-
Fund balance at end of year	\$ 381,599	\$ 420,884	\$ 497,818	\$ 76,934

The notes are an integral part of the financial statements.

**Tyrone Township
Statement of Net Assets
Proprietary Fund
March 31, 2006**

	<u>Enterprise Fund</u>
	<u>Sewer</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 166,443
Accounts receivable	30,799
Special assessment receivable	<u>601,510</u>
Total current assets	<u>798,752</u>
Noncurrent assets:	
Restricted cash	1,671,767
Cash held with agent - restricted	837,391
Special assesment receivable	9,051,704
Capital assets - not depreciated	7,811,676
Capital assets- net of depreciation	<u>9,035,111</u>
Total noncurrent assets	<u>28,407,649</u>
Total assets	<u><u>\$ 29,206,401</u></u>
Liabilities	
Current liabilities:	
Due to other governmental units	\$ 33,514
Due to other funds	49,598
Deposits	39,248
Current portion of long-term debt	<u>705,000</u>
Total current liabilities	<u>827,360</u>
Noncurrent liabilities:	
Long-term debt - Net of current portion	<u>15,060,000</u>
Total liabilities	<u>\$ 15,887,360</u>
Net Assets	
Invested in capital assets, net of related debt	1,919,178
Retained earnings:	
Restricted - capital projects	837,391
Restricted - debt service	1,671,767
Unrestricted	<u>8,890,705</u>
Total net assets	<u>13,319,041</u>
Total liabilities and net assets	<u><u>\$ 29,206,401</u></u>

The notes are an integral part of the financial statements.

Tyrone Township
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
Year Ended March 31, 2006

	<u>Enterprise Fund</u>
	<u>Sewer</u>
Operating revenues	
Charges for services	\$ 179,347
Interest and penalty charges	2,972
Other miscellaneous revenue	<u>10,962</u>
Total operating revenue	<u>193,281</u>
Operating expenses	
Cost of sewer operations and maintenance	173,953
Billing and administrative costs	1,928
Depreciation	<u>320,643</u>
Total operating expenses	<u>496,524</u>
Operating loss	(303,243)
Nonoperating revenues (expenses)	
Investment income	97,678
Bond issuance cost	(155,000)
Interest expense and fiscal charges	<u>(303,781)</u>
Loss before contributions and transfers	<u>(664,346)</u>
Capital contributions	
Capital grants	29,500
Special assessments	<u>542,338</u>
Total capital contributions	<u>571,838</u>
Transfer out	<u>(25,557)</u>
Change in net assets	(118,065)
Net Assets - Beginning of year	<u>13,437,106</u>
Net Assets - End of year	<u><u>\$ 13,319,041</u></u>

The notes are an integral part of the financial statements.

**Tyrone Township
Statement of Cash Flows
Proprietary Fund
Year Ended March 31, 2006**

	<u>Enterprise Fund</u> <u>Sewer</u>
Cash flows from operating activities	
Cash receipts from customers	\$ 219,234
Cash payments to suppliers	(140,438)
Internal activity - payments to other funds	161
Net cash provided by operating activities	<u>78,957</u>
Cash flows from noncapital financing activities	
Transfers to other funds	<u>(25,557)</u>
Cash flows from capital and related financing activities	
Receipt of capital grants	\$ 29,500
Special assessments collections	631,318
Issuance of bonds	8,640,000
Purchase of capital asset	(7,811,676)
Bond cost	(155,000)
Principal payments on capital debt	(300,000)
Interest paid on capital debt	<u>(303,781)</u>
Net cash provided by capital and related financing activities	<u>730,361</u>
Cash flows from investing activities	
Interest earned (including special assessment interest)	<u>640,016</u>
Net increase in cash	1,423,777
Cash and cash equivalents - beginning of year	<u>1,251,824</u>
Cash and cash equivalents - end of year	<u><u>\$ 2,675,601</u></u>
Balance sheet classification of Cash and Cash Equivalents	
Cash and cash equivalents	\$ 166,443
Restricted cash	1,671,767
Cash held with agent - restricted	837,391
Total cash and cash equivalents	<u><u>\$ 2,675,601</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (303,243)
Adjustments to reconcile operating loss to net cash provided by operating activities -	
Depreciation and amortization	320,643
Changes in operating assets and liabilities:	
Accounts receivable	4,418
Due to other funds	2,089
Due to other governments	33,515
Deposits	<u>21,535</u>
Net cash provided by operating activities	<u><u>\$ 78,957</u></u>

The notes are an integral part of the financial statements.

**Tyrone Township
Statement of Assets and Liabilities
Fiduciary Funds
March 31, 2006**

		Agency Funds	
		Trust and Agency	Current Tax Collection
Assets			
Cash and cash equivalents		\$ 159,859	\$ -
Due from other governments		-	9,277
	Total assets	<u>\$ 159,859</u>	<u>\$ 9,277</u>
Liabilities			
Due to other funds		4,087	9,277
Due to other governmental units		104,256	-
Due to individuals		150	-
Performance deposits		51,366	-
	Total liabilities	<u>\$ 159,859</u>	<u>\$ 9,277</u>

The notes are an integral part of the financial statements.

Notes to Basic Financial Statements

Tyrone Township
Notes to Financial Statements
March 31, 2006

I. Summary of significant accounting policies

The accounting policies of Tyrone Township (the “Township”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Tyrone Township.

A. Reporting entity:

The Township of Tyrone is located in Livingston County and operates under an elected form of government. The Township provides the following services as authorized by general law: public safety (police and fire), highways and streets, sanitation, public improvements, planning, general administrative services, and sewer.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. There are no component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Tyrone Township
Notes to Basic Financial Statements
March 31, 2006

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be *available* if it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments will be collected after the period of availability; receivables have been recorded for these, along with a “deferred revenue” liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

The General fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Jayne Hill 1 and 2 Road Improvement Fund is a special revenue fund of the Township. It is used to account for a special assessment district paving project.

Jayne Hill 4 Road Improvement Fund is a special revenue fund of the Township. It is used to account for a special assessment district paving project.

The government reports the following major proprietary funds:

The Sewer Disposal System Fund accounts for the operations of the sewage pumping and collection systems.

Additionally, the government reports the following fund type:

Agency Funds account for assets held by the Township as an agent for individuals, private organizations and other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program *revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

Tyrone Township
Notes to Basic Financial Statements
March 31, 2006

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Enterprise fund is charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Property tax revenue

The Township levies property taxes on December 1 each year. These taxes become liens on the property at that date. Township taxes are collected without penalty from December 1 to February 28 each year.

The Township's 2005 tax is levied and collectible on December 1, 2005 and is recognized as revenue in the year ended March 31, 2006, when proceeds of the levy are budgeted and available for the financing of operations.

The 2005 taxable valuation of the Township totaled \$404 million on which taxes levied consisted of .908 mills for operating purposes.

E. Assets, liabilities, and net assets or equity

1. Deposits

The Township's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the Township are stated at fair value. Certificates of deposit with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements.

3. Restricted cash and cash equivalents

The General Fund has cash in the amount of \$121,045 restricted by court order. The amount represents the fourth quarter payment to the fire authority. The Township is currently in litigation regarding the amount of fire authority expenditures charged to the Township.

The Township's Sewer Enterprise Fund has cash in the amount of \$1,671,767 that is restricted for debt service. The balance represents special assessments that have been collected and will be used to pay off the sewer bonds. The Sewer Fund also has cash with agent of \$837,391 restricted for capital improvements.

Tyrone Township
Notes to Basic Financial Statements
March 31, 2006

I. Summary of significant accounting policies – (continued)

E. Assets, liabilities, and net assets or equity – (continued)

4. Receivables and payables

In general, outstanding balances between funds are reported as “due to/from other funds”, activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade, notes, contracts, and property tax receivables are shown net of an allowance for uncollectibles. No allowance has been established as management believes all receivable to be collectible.

5. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

6. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with accounting principles generally accepted in the United States of America, recorded infrastructure assets include only those acquired after the fiscal year ended March 31, 2006. Prior to the implementation of GASB No. 34, records on these assets were not maintained. The Township is not required to retroactively determine costs and accumulated depreciation prior to April 1, 2004.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, \$102,057 of interest expense was capitalized as part of the cost of assets under construction.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	39
Building improvement	15
Vehicles	5
Office equipment	5
Furniture and fixtures	7
Sewer distribution system	39

Tyrone Township
Notes to Basic Financial Statements
March 31, 2006

I. Summary of significant accounting policies – (continued)

E. Assets, liabilities, and net assets or equity – (continued)

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

II. Stewardship, compliance, and accountability

A. Budgetary information

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to February 1, the supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds except for Jayne Hill 1 and 2, Jayne Hill 4, Parkwood Driftwood Maintenance, Silver Lake Estates Road Paving, and Rental Properties Special Revenue Funds.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted on a departmental (activity) basis through passage of a resolution in accordance with Public Act 621 of the State of Michigan.
4. The Supervisor is authorized to transfer budgeted amounts within departmental appropriation accounts. However, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. The amount of encumbrances at year end is not known. Also, all budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Tyrone Township
Notes to Basic Financial Statements
March 31, 2006

II. Stewardship, compliance, and accountability – (continued)

A. Budgetary information – (continued)

6. Budget appropriations lapse at year-end except for approved contracts which are appropriated on a contract (grant) length basis.

Budgeted amounts are reported on the financial statements as originally adopted and as amended by the Township Board.

B. Excess of expenditures over appropriations

The following funds incurred expenditures in excess of appropriations:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual over Budget</u>
General Fund:			
General government	\$588,655	\$592,543	\$3,888
Public Safety	621,680	716,748	95,068
Public Works	19,900	20,407	507
Liquor Law Enforcement			
Public Safety	1,500	3,378	1,878
Jayne Hill Lighting Assessment:			
Public Works	1,000	1,075	75
Walnut Drive Lighting Assessment:			
Public Works	105	110	5

C. Budget Adoption

As noted in footnote II.A.1 budgets for multiple special revenue funds were not legally enacted by the Township Board. Adoption of budgets for all special revenue funds is required by Public Act 621 of the State of Michigan.

D. Deficit fund equity

The Silver Lake Estates Road Paving Special Revenue Fund had a deficit fund balance of \$19,895 as of March 31, 2006. The fund incurred expenditures that are to be paid through collection of special assessments.

III. Detailed notes on all funds

A. Deposits and Investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Tyrone Township
Notes to Basic Financial Statements
March 31, 2006

III. Detailed notes on all funds – (continued)

A. Deposits and Investments – (continued)

The Township has designated eight banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to various types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Township had \$2,281,906 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit risk:

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Mutual fund – fixed income	\$352,625	5 Stars	Morningstar

B. Receivables

Receivables as of year end for the Township's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	<u>General</u>	Jayne Hill 1 & 2 Road <u>Improvement</u>	Jayne Hill 4 Road <u>Improvement</u>	<u>Nonmajor Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Receivables:						
Accounts	\$ 58,155	\$ -	\$ -	\$ -	\$ -	\$ 58,155
Special assessment	40,588	101,940	90,271	20,575	-	253,374
Intergovernmental	96,192	1,127	4,156	53,057	9,277	163,809
Gross receivables	194,935	103,067	94,427	73,632	9,277	475,338
Less: allowance for uncollectibles	(58,155)	-	-	-	-	(58,155)
Net total receivables	<u>\$136,780</u>	<u>\$103,067</u>	<u>\$ 94,427</u>	<u>\$ 73,632</u>	<u>\$ 9,277</u>	<u>\$417,183</u>

Tyrone Township
Notes to Basic Financial Statements
March 31, 2006

III. Detailed notes on all funds – (continued)

B. Receivables – (continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 411	\$ -
Special assessments	212,786	-
Total deferred/unearned revenue for governmental funds	<u>\$213,197</u>	<u>\$ -0-</u>

Business type activities:

	<u>Sewer Fund</u>
Receivables:	
Accounts	\$ 30,799
Special assessments	<u>9,653,214</u>
Gross receivables	9,684,013
Less: allowance for uncollectibles	<u>-</u>
Net total receivables	<u>\$9,684,013</u>

C. Capital assets

Capital asset activity for the year ended March 31, 2006 was as follows:

Primary Government

	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance March 31, 2006</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 42,475	\$ -	\$ (34,975)	\$ 7,500
Total capital assets, not being depreciated	<u>42,475</u>	<u>-</u>	<u>(34,975)</u>	<u>7,500</u>
Capital assets, being depreciated:				
Buildings	419,392	-	(109,925)	309,467
Land improvements	70,424	-	-	70,424
Machinery and equipment	154,688	-	-	154,688
Total capital assets being depreciated	<u>644,504</u>	<u>-</u>	<u>(109,925)</u>	<u>534,579</u>
Less accumulated depreciation for:				
Buildings	173,763	9,424	(22,549)	160,638
Land improvements	43,212	4,419	-	47,631
Machinery and equipment	98,114	20,742	-	118,856
Total accumulated depreciation	<u>315,089</u>	<u>34,585</u>	<u>(22,549)</u>	<u>327,125</u>
Total capital assets, being depreciated, net	<u>329,415</u>	<u>(34,585)</u>	<u>(87,376)</u>	<u>207,454</u>
Governmental activities capital assets, net	<u>\$371,890</u>	<u>\$ (34,585)</u>	<u>\$ (122,351)</u>	<u>\$214,954</u>

Tyrone Township
Notes to Basic Financial Statements
March 31, 2006

III. Detailed notes on all funds – (continued)

C. Capital assets – (continued)

Primary Government – (continued)

	<u>Balance</u> <u>April 1, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>March 31, 2006</u>
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$7,811,676	\$ -	\$ 7,811,676
Total capital assets, not being depreciated	-	7,811,676	-	7,811,676
Capital assets, being depreciated:				
Sewer system	10,630,475	-	-	10,630,475
Machinery and equipment	336,500	-	-	336,500
Total capital assets, being depreciated	10,966,975	-	-	10,966,975
Less accumulated depreciation for:				
Sewer system	1,515,079	272,572	-	1,787,651
Machinery and equipment	96,142	48,071	-	144,213
Total accumulated depreciation	1,611,221	320,643	-	1,931,864
Total capital assets, being depreciated, net	9,335,754	(320,643)	-	9,035,111
Business-type activities capital assets, net	<u>\$ 9,355,754</u>	<u>\$7,491,033</u>	<u>\$ -0-</u>	<u>\$16,846,787</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Current:

 General government \$ 34,585

Business-type activities:

 Sewer \$320,643

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of March 31, 2006 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Jayne Hill 1 & 2	\$ 100
	Jayne Hill 4	100
	Sewer	49,598
	Agency	4,087
	Tax	9,277
Road improvement	Silver Lake Estates Road Improvement	75,447
Township improvement revolving fund	General	<u>100,000</u>
		<u>\$238,609</u>

Tyrone Township
Notes to Basic Financial Statements
March 31, 2006

III. Detailed notes on all funds – (continued)

D. Interfund receivables, payables, and transfers – (continued)

	<u>Transfer In</u> <u>General</u> <u>Fund</u>
Transfer out:	
Nonmajor governmental funds	\$ 25,621
Sewer	<u>25,557</u>
Total transfers out	<u>\$ 51,178</u>

Transfers between funds were primarily for operating purposes. Other transfers were made to close funds.

E. Long-term debt

The government issues bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Contractual agreements and installment purchase agreements are general obligations of the government. All revenue bonds are supported by the revenues generated from the operation of the respective facilities constructed. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

A summary of the composition of the March 31, 2006, long-term debt balance follows:

	<u>Final</u> <u>Payment</u> <u>Due</u>	<u>Interest</u> <u>Rate or</u> <u>Range</u>	Balance at March 31, <u>2005</u>	Issuances (Retirements) <u>During Year</u>	Balance at March 31, <u>2006</u>	Due Within <u>One Year</u>
Governmental Activities:						
Hartland Deerfield						
Tyrone Fire Authority						
Contract	April 1, 2006	0%	\$ 194,552	\$ (97,276)	\$ 97,276	\$ 97,276
Jayne Hill No. 1 & 2 Road						
Improvement Project						
Special Assessment Bonds	April 1, 2015	3.7	-	178,000	178,000	17,800
Jayne Hill No. 4 Road						
Improvement Special						
Assessment bonds	April 1, 2010	3.47	-	176,000	176,000	35,200
Total governmental activities			<u>\$ 194,552</u>	<u>\$ 256,724</u>	<u>\$ 451,276</u>	<u>\$150,276</u>
Business-type Activities:						
Sewer Bonds						
Livingston County Sanitary						
Sewer Improvement Bonds						
Series 2003	May 1, 2023	3.0-5.0%	\$7,425,000	\$ (300,000)	\$ 7,125,000	\$315,000
Livingston County Sanitary						
Sewer Improvement Bonds						
Series 2005	May 1, 2028	3.375-4.25%	-	8,640,000	8,640,000	390,000
Total business-type activities			<u>\$7,425,000</u>	<u>\$8,340,000</u>	<u>\$15,765,000</u>	<u>\$705,000</u>

Tyrone Township
Notes to Basic Financial Statements
March 31, 2006

III. Detailed notes on all funds – (continued)

E. Long-term debt – (continued)

Annual debt service requirements to maturity for the above obligations are as follows:

Year End March 31,	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2007	\$150,276	\$ 7,066	\$ 705,000	\$ 624,681
2008	53,000	10,993	700,000	602,171
2009	53,000	9,082	710,000	579,196
2010	53,000	7,171	720,000	555,059
2011	53,000	5,260	725,000	530,006
2012-2016	89,000	10,048	3,740,000	2,235,639
2017-2021	-	-	3,980,000	1,445,564
2022-2026	-	-	3,360,000	549,468
2027-3031	-	-	1,125,000	71,718
Total	<u>\$451,276</u>	<u>\$ 49,620</u>	<u>\$15,765,000</u>	<u>\$7,193,502</u>

Hartland, Deerfield, Tyrone Fire Authority:

In 2003, the Township entered into an agreement to create the Hartland Deerfield Tyrone Fire Authority. According to the Authority's Articles of Incorporation, the Township was required to pay its share of the costs of fire department equipment the Authority received from Harland Township. The allocation totaled \$291,828 and is payable in three annual installments of \$97,276.

Tyrone Township Jayne Hill Farms Subdivision 1 & 2 Road Improvement Special Assessment Bonds

Tyrone Township issued \$178,000 in Special Assessment Bonds. The Jayne Hill Farms Subdivision 1 & 2 Road Improvement Special Assessment Bonds were issued pursuant to Act 188, Michigan Public Acts of 1954, as amended. They are primarily payable from collections of special assessments levied against the benefited properties in the District. The bonds are dated August 30, 2005 with interest payable April 1, beginning on April 1, 2006. The Township's limited tax full faith and credit are pledged for the payment of the bonds if the special assessments are not adequate.

Tyrone Township Jayne Hill Farms Subdivision No. 4 Road Improvement Special Assessment Bonds

Tyrone Township issued \$176,000 in Special Assessment Bonds. The Livingston County Jayne Hill Farms Subdivision No. 4 Road Improvement Special Assessment Bonds were issued pursuant to Act 188, Michigan Public Acts of 1954, as amended. They are primarily payable from collections of special assessments levied against the benefited properties in the District. The bonds are dated August 30, 2005 with interest payable April 1, beginning in April 2006. The Township's limited tax full faith and credit are pledged for the payment of the bonds if the special assessments are not adequate.

Tyrone Township
Notes to Basic Financial Statements
March 31, 2006

III. Detailed notes on all funds – (continued)

E. Long-term debt – (continued)

Tyrone Township Sewer Bonds - Series 2003

Tyrone Township, through Livingston County, issued \$7,725,000 in Sanitary Sewer Improvement Bonds. The Livingston County Sanitary Sewer Improvement Bonds Series 2003 (Tyrone Township Sewer Bonds) were issued pursuant to Act 185 and 342, Michigan Public Acts of 1954, as amended. They are primarily payable from collections of special assessments levied against the benefited properties in the District. The bonds are dated August 27, 2003 with interest payable November 1 and May 1, beginning on November 1, 2003. The Township's limited tax full faith and credit are pledged for the payment of the bonds if the special assessments are not adequate.

Tyrone Township Sewer Bonds - Series 2005

Tyrone Township, through Livingston County, issued \$8,640,000 in Sanitary Sewer Improvement Bonds. The Livingston County Sanitary Sewer Improvement Bonds Series 2005 (Tyrone Township Sewer Bonds) were issued pursuant to Act 185 and 342, Michigan Public Acts of 1954, as amended. They are primarily payable from collections of special assessments levied against the benefited properties in the District. The bonds are dated June 22, 2005 with interest payable November 1 and May 1, beginning on May 1, 2006. The Township's limited tax full faith and credit are pledged for the payment of the bonds if the special assessments are not adequate.

Act 359, Public Acts of State 1947, as amended, provides that net indebtedness of municipalities cannot exceed 10% of the assessed real and personal property in the Township. As of March 31, 2006, the Tyrone Township had not incurred any indebtedness which would be limited under Act 359. The Township's existing general long-term debt obligation contracts are specifically exempted from consideration in the 10% limit computation.

IV. Other information

A. Joint ventures

In October 2003, Tyrone Township entered into a joint venture with Hartland Township and Deerfield Township to create the Hartland Deerfield Tyrone Fire Authority. The purpose of the Authority is to provide uniform and orderly control of fire protection, fire department practices and organizations and financing within the territorial limits of three municipalities. The Authority is governed by a three-member board, appointed by the governing bodies of the townships. The agreement calls for each municipality to pay for costs of the Authority.

The following is a summary of selected financial information of the Fire Authority.

	<u>Period Ended</u> <u>March 31, 2005</u>
Total assets	\$1,533,856
Total liabilities	1,041,163
Total fund equity	492,693
Total revenues	1,323,880
Total expenditures	1,274,810

Audited financial statements are available for public inspection at authority headquarters.

Tyrone Township
Notes to Basic Financial Statements
March 31, 2006

IV. Other information – (continued)

A. Joint ventures – (continued)

The agreement provides that if there is a voluntary withdrawal from the Authority, the withdrawing member receives no distributions for its share of assets and is responsible for payment of its share of long-term liabilities.

Prior to April 1, 2005, a letter of intent to withdraw from the Heartland Deerfield Tyrone Fire Authority (HDTFA) was sent by the Board to the HDTFA. The agreement requires a one-year notice to withdraw and is effective for the next fiscal year. The Township has sued HDTFA for relief from what the Township believes to be unnecessary expenditure excesses with the adopted budget. The case is in the preliminary stage.

B. Pension

The Township has a qualified, contributory pension plan covering all elected officials established by Township Ordinance No. 31. The plan is administered by John Hancock. The plan generally requires contributions of 10% of covered wages of participating employees. The employer contributes 75% and the employees contribute 25% of the required contribution. Pension cost charged to operations for the year ended March 31, 2006 was \$8,444.

The Township's total payroll for the year ended March 31, 2006 was \$283,425. Contributions were based on the covered payroll (base salary) of \$87,085 during the plan period, which is April 1, 2005 through March 31, 2006. The Township and the covered employees made the required contributions of \$7,734 and \$2,578, respectively, which were 8.9% and 2.9%, respectively, of covered payroll.

V. Risk management and contingent liabilities

The Township is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries. The Township has purchased commercial insurance for these claims except. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

VI. Building department revenues and expenses

The State Construction Code Act Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, requires that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operations of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund. The rules allowed for monitoring these funds in a separate activity center within the General fund if the expenditures would normally exceed the revenues. The Township chose the latter. The activity related to construction code activities for the year ended March 31, 2006 is as follows:

Construction permit revenue	\$ 12,335
Building department expenditures	<u>(35,880)</u>
Current year revenue over (under) expenditures	<u><u>\$ (23,545)</u></u>

There is no carryforward balance of construction code revenues.

Combining Fund Statements and Fund Descriptions

**Tyrone Township
Nonmajor Governmental Funds
Summary Descriptions
March 31, 2006**

Special Revenue Funds

Liquor Law Enforcement - to account for funds received by the Township for liquor law enforcement.

Road Improvement - to account for funds transferred from the Township's General Fund for road improvement projects.

Building and Site - to account for funds transferred from the Township General Fund for various building and site improvements.

Improvement Revolving - to account for funds transferred from the Township's General Fund for various capital improvement projects.

Rental Properties - to account for certain rental property the Township possesses.

Parkwood/Driftwood Maintenance- to account for the collection of special assessments levied on affected properties for road improvements.

Jayne Hill Lighting - to account for the collection of special assessments levied on affected properties for lighting improvements.

Walnut Drive Lighting - to account for the collection of special assessments levied on affected properties for lighting improvements.

Jayne Hill Waste Removal - to account for the collection of special assessments for waste disposal.

Silver Lakes Estate Road - to account for the collection of special assessments levied on affected properties for road paving improvements.

**Tyrone Township
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2006**

	Special Revenue			
	Liquor Law Enforcement	Road Improvement	Building and Site	Township Improvement Revolving Fund
Assets				
Cash and cash equivalents	\$ -	\$ 316,374	\$ 13,846	\$ 165,563
Receivable:				
Special assessments	-	-	-	-
Due from other funds	-	75,447	-	100,000
Due from other governments	-	-	-	50,000
Total assets	\$ -0-	\$ 391,821	\$ 13,846	\$ 315,563
Liabilities and Fund Balances				
Liabilities				
Accounts payable	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	-	-	-	-
Fund Balances (deficit)				
Unreserved (deficit):	-	391,821	13,846	315,563
Total fund balances	-	391,821	13,846	315,563
Total liabilities and fund balances	\$ -0-	\$ 391,821	\$ 13,846	\$ 315,563

Special Revenue					Total Nonmajor Governmental Funds	
Parkwood/ Driftwood Maintenance	Jayne Hill Lighting Assessment	Walnut Drive Lighting Assessment	Jayne Hill Waste Removal	Silver Lake Estates Road Paving		
\$ 3,728	\$ 1,441	\$ 141	\$ 18,771	\$ 53,921	\$	573,785
-	-	-	-	20,575		-
-	-	-	-	-		20,575
-	104	-	1,322	1,631		175,447
\$ 3,728	\$ 1,545	\$ 141	\$ 20,093	\$ 76,127	\$	53,057
-	-	-	1,410	-		1,410
-	-	-	-	75,447		75,447
-	-	-	-	20,575		20,575
-	-	-	1,410	96,022		97,432
3,728	1,545	141	18,683	(19,895)		725,432
3,728	1,545	141	18,683	(19,895)		725,432
\$ 3,728	\$ 1,545	\$ 141	\$ 20,093	\$ 76,127	\$	822,864

Tyrone Township
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended March 31, 2006

	Special Revenue			Township Improvement Revolving Fund
	Liquor Law Enforcement	Road Improvement	Building and Site	
Revenues				
Special assessments	\$ -	\$ -	\$ -	\$ -
Charges for services	3,378	-	-	-
Interest	-	8,930	55	4,755
Total revenues	3,378	8,930	55	4,755
Expenditures				
Public works	-	-	-	-
Public safety	3,378	-	-	-
Highways and streets	-	41,501	-	-
Total expenditures	3,378	41,501	-	-
Excess (deficiency) of revenues over expenditures	-	(32,571)	55	4,755
Other financing uses				
Transfers out	-	-	-	-
Net change in fund balances	-	(32,571)	55	4,755
Fund balance (deficit) - Beginning of year	-	424,392	13,791	310,808
Fund balance (deficit) - End of year	\$ -0-	\$ 391,821	\$ 13,846	\$ 315,563

Special Revenue							Total
Rental Properties	Parkwood/ Driftwood Maintenance	Jayne Hill Lighting Assessment	Walnut Drive Lighting Assessment	Jayne Hill Waste Removal	Silver Lake Estates Road Paving		Nonmajor Governmental Funds
\$ -	\$ 500	\$ 1,092	\$ 110	\$ 19,999	\$ 21,652	\$	43,353
-	-	-	-	-	-		3,378
-	-	-	-	-	2,203		15,943
-	500	1,092	110	19,999	23,855		62,674
-	-	1,075	110	16,920	-		18,105
-	-	-	-	-	-		3,378
-	-	-	-	-	-		41,501
-	-	1,075	110	16,920	-		62,984
-	500	17	-	3,079	23,855		(310)
(25,621)	-	-	-	-	-		(25,621)
(25,621)	500	17	-	3,079	23,855		(25,931)
25,621	3,228	1,528	141	15,604	(43,750)		751,363
\$ -	\$ 3,728	\$ 1,545	\$ 141	\$ 18,683	\$ (19,895)	\$	725,432

Tyrone Township
Schedule of Revenues, Expenditures,
and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
Year Ended March 31, 2006

Liquor Law Enforcement				
	Budgeted Amounts		Actual Amounts	Variance with Amended Budget
	Original	Amended		
Revenues				
Special assessments	\$ -	\$ -	\$ -	\$ -
Charges for services	1,500	1,500	3,378	1,878
Interest	-	-	-	-
Rents and royalties	-	-	-	-
Total revenues	1,500	1,500	3,378	1,878
Expenditures				
Public works	-	-	-	-
Public safety	1,500	1,500	3,378	(1,878)
Highways and streets	-	-	-	-
Total expenditures	1,500	1,500	3,378	(1,878)
Net change in fund balances	-	-	-	-
Fund balance - Beginning of year	-	-	-	-
Fund balance - End of year	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Road Improvement				Building and Site			
Budgeted Amounts		Actual Amounts	Variance with Amended Budget	Budgeted Amounts		Actual Amounts	Variance with Amended Budget
Original	Amended			Original	Amended		
\$ 23,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
6,000	-	8,930	8,930	100	100	55	(45)
-	-	-	-	-	-	-	-
29,000	-	8,930	8,930	100	100	55	(45)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
90,000	-	41,501	41,501	-	-	-	-
90,000	-	41,501	41,501	-	-	-	-
(61,000)	-	(32,571)	32,571	100	100	55	(45)
424,392	424,392	424,392	-	13,791	13,791	13,791	-
\$ 363,392	\$ 424,392	\$ 391,821	\$ 32,571	\$ 13,891	\$ 13,891	\$ 13,846	\$ (45)

(continued)

Tyrone Township
Schedule of Revenues, Expenditures,
and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds - (Continued)
Year Ended March 31, 2006

Township Improvement Revolving Fund				
				Variance
		Budgeted Amounts	Actual	with
		Original	Amended	Amended
				Budget
Revenues				
Special assessments	\$	-	\$	-
Charges for services		-		-
Interest		2,000	2,000	4,755
Rents and royalties		-	-	-
Total revenues		2,000	2,000	4,755
Expenditures				
Public works		-	-	-
Public safety		-	-	-
Highways and streets		-	-	-
Total expenditures		-	-	-
Net change in fund balances		2,000	2,000	4,755
Fund balance - Beginning of year		310,808	310,808	310,808
Fund balance - End of year	\$	312,808	\$ 312,808	\$ 315,563
				\$ 2,755

Jayne Hill Lighting Assessment				Walnut Drive Lighting Assessment			
Budgeted Amounts		Actual Amounts	Variance with Amended Budget	Budgeted Amounts		Actual Amounts	Variance with Amended Budget
Original	Amended			Original	Amended		
\$ 1,092	\$ 1,092	\$ 1,092	\$ -	\$ 110	\$ 110	\$ 110	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,092	1,092	1,092	-	110	110	110	-
1,000	1,000	1,075	(75)	105	105	110	(5)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,000	1,000	1,075	(75)	105	105	110	(5)
92	92	17	(75)	5	5	-	(5)
1,528	1,528	1,528	-	141	141	141	-
\$ 1,620	\$ 1,620	\$ 1,545	\$ (75)	\$ 146	\$ 146	\$ 141	\$ (5)

(continued)

Tyrone Township
Schedule of Statement of Revenues, Expenditures,
and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds - (Continued)
Year Ended March 31, 2006

		Jayne Hill Waste Removal			
		Budgeted Amounts		Actual Amounts	Variance with Amended Budget
		Original	Amended		
Revenues					
Special assessments		\$ 19,999	\$ 19,999	\$ 19,999	\$ -
Charges for services		-	-	-	-
Interest		-	-	-	-
Rents and royalties		-	-	-	-
Total revenues		19,999	19,999	19,999	-
Expenditures					
Public works		16,920	16,920	16,920	-
Public safety		-	-	-	-
Highways and streets		-	-	-	-
Total expenditures		16,920	16,920	16,920	-
Net change in fund balances		3,079	3,079	3,079	-
Fund balance - Beginning of year		15,604	15,604	15,604	-
Fund balance - End of year		\$ 18,683	\$ 18,683	\$ 18,683	\$ -

June 13, 2006

To the Board Members of
Tyrone Township
Livingston County, Michigan

In planning and performing our audit of the financial statements of Tyrone Township for the year ended March 31, 2006, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Budgets

During fiscal 2006, two new Special Revenue funds were created to account for Jayne Hill paving projects. A budget was not adopted for either fund. Additionally, it was noted that a few other special revenue funds did not have a budget adopted. These funds were the Rental Properties, Silver Lake Paving, and Parkwood/Driftwood maintenance funds. Per the State Budget Act P.A. 621 all special revenue funds are required to have a budget adopted.

Bank Reconciliations

Bank reconciliations are prepared by the Treasury department, based upon the Department's records, and a Treasurer's report is given to the accountant to compare to the general ledger which is prepared by the accountant. Variances between the Treasurer's report and general ledger have not been resolved timely. Variances should be resolved on a monthly basis.

Special Assessment Receivable Subledgers

1. During the audit, it was noted that special assessment subledgers are only updated in October of each year in preparation of the amount to be put on the tax roll. Payments are made throughout the year by residents and the roll should be updated monthly to reflect the correct receivable balance due to the Township. The schedule provided for the audit did not agree to the trial balance for three reasons:
 - For the general ledger, a credit entry for principal payments made on the special assessments receivable in the special revenue funds should be recorded to reduce the receivable. Deferred revenue should also be adjusted.
 - Principal payments made on special assessment receivables in the sewer fund should be credited to the receivable not to a revenue account as has currently been done.

- The receivable subledger should be updated periodically throughout the year. At year end, the subledger should agree to the trial balance.
- 2. Two new special assessment receivables were established during the year for paving in the Jayne Hill subdivisions. The project came in under budget and the assessment to the residents was reduced. The receivable subledger was not adjusted to reflect the decrease in the original assessment. To ensure residents are correctly assessed the subledger should be corrected timely.

Third-Party Sewer Utility Billing

The Township has an agreement with a third-party commercial business to bill and collect from residents, sewer utility charges for services. During 2006, the Township received activity reports from the third-party and reconciled data to the bank statements. The reports from the third-party are updated daily and available on-line to the Township. A report detailing the balance at year was not obtained on-line by the Township. Once the selected date has passed, the on-line report can no longer be generated for the period. We recommend the Township obtain the on-line report on the last day of each month.

Accounting Software

During the audit, it was noted that accounting functions (accounts payable, payroll, and cash receipts) are not integrated with the general ledger software. This setup had required numerous manual journal entries be made to record these entries in the general ledger. We recommend the Township invest in a new accounting software package which would integrate these activities and allow for more efficiency.

Cash Receipting

The Treasurer, subsequent to year end, modified many procedures surrounding the cash receipting procedures used in the past. The modifications were in response to a possible misappropriation of funds totaling approximately \$10,000 that occurred during the year. The Michigan State Police is currently investigating the matter. Most of the modified procedures provided for additional segregation of duties and also better reconciliation procedures. We concur with all of those changes. The following are recommendations that we noted during the audit. Many of these items have already been addressed by the Treasurer's updated procedures.

To increase internal controls, we recommend the following:

- Receipts should be prepared for all payments.
- The cash drawer should be locked and maintained daily at an imprest amount.
- The cash drawer should be reconciled daily to the cash receipt book and the bank deposit prepared. This reconciliation should be reviewed by someone not involved in collections.
- One employee should be responsible for collecting payments and a second employee should reconcile the cash drawer daily.
- To notify accounting of tax disbursement checks issued, the Treasurer's department should provide accounting with copies of the checks rather than record a payment in the receipt book. Accounting should verify the sequence of checks for completeness.

The Following Items are Additional Comments and Recommendations for Improvements to Township Procedures:

1. Capitalization Policy

The Township currently capitalizes fixed assets with a cost of \$1,000 or greater; however, the Board has not adopted an official policy. An official capitalization policy should be adopted by the Board.

2. ACH Transfer Policy

In accordance with Public Act 738 of 2002, the Township should adopt a policy for electronic payments.


3. Fund Deficit

Silver Lake Road Paving fund has a remaining fund balance deficit in the amount of \$19,895. This deficit balance has been reduced from a deficit balance of \$43,750 at March 31, 2005. Management still anticipates that the remaining special assessment receivables when collected will eliminate the deficit. We encourage management to monitor the fund if the case assessments fall short, which would require that a transfer from another fund be appropriated to cover the deficit.

This report is intended solely for the information and use of the board members, management, and other within the Township.

Sincerely,

Plante & Moran, PLLC



Tadd A. Harburn, CPA
Partner